

WORKERS COMPENSATION BOARD OF INDIANA

**2014 SECOND INJURY FUND
CALCULATION OF FUNDING LEVEL**

December 31, 2013

Please note the assessment can be paid in two installments.

The due dates are:

January 31, 2014

June 13, 2014



STATE OF INDIANA

MICHAEL R. PENCE, Governor

Linda Peterson Hamilton, Chairman

WORKERS COMPENSATION BOARD

402 West Washington Street, Room W196

Indianapolis, Indiana 46204-2753

Telephone: (317) 232-3808

<http://www.in.gov/workcomp>

SECOND INJURY FUND REPORT

By the Chair

AND ASSESSMENT FOR 2014

December 31, 2013

As 2013 draws to a close, I am happy to report good news. The number of injuries in the workplace continued to decrease; this year by 14%. The Second Injury Fund will end 2013 in the black. \$6,065,977 was collected through the 2013 assessment and \$5,811,434 was paid out in benefits and expenses.

Included with this report are the Certification forms used to calculate individual assessment obligations. These forms use numbers provided by the ICRB as well as self-insured factors taken from new and renewal applications for 2012. Historical data regarding Fund payouts can be found on the last page.

While we expect indemnity payments from the Fund to continue their upward trend as more injured workers are added to the roll, the cost of prosthetics in 2014 should not increase much over that of 2013. Replacement of prosthetics is a cyclical expense of the Fund, although the variations are not as pronounced as they used to be with the increased cost of artificial members. Prosthetics in 2013 were approximately \$239,000 less than in 2012, and we expect one more year of lower numbers. However, the cost of prosthetics roughly doubled from 2006 to 2007 and again from 2011 and 2012. Therefore, our prudent reserve for prosthetics is based on the highest year out of the 3 most recent years.

The fourth of five installments of the Fund's loan repayment to the Board's Supplemental Fund will occur this year, with the other payments occurring in 2007, 2011 and 2012. The administrative expenses included in the assessment will also be taken out for the third time this year. The Board does not process payment of these two administrative expenses until it is sure the obligations to injured workers can be satisfied with the funds on hand.

The administrative costs included in the 2014 assessment are the same as those used for the previous years' assessments; \$42,000. However, the Board has begun tracking the quarterly time commitment of each staff member who works on SIF issues, as well as the number of hours expended by the Attorney General's office in defending the Fund before the Board and in the Court of Appeals and Supreme Court of Indiana. It is expected that the administrative expense factor of the assessment will rise sometime in the future, as it will more accurately reflect the cost of administrating the Fund. However, at this time, we are simply gathering data.

Payments will be due on January 31st and June 13th if you choose to use the installment option. No reminder will be sent before the due date.

Please call Mary Taivalkoski or me if you have questions or comments regarding the assessment, report, or the Fund.

Wishing you good health, happiness, peace and prosperity in the 2014.

Yours very truly,

A handwritten signature in cursive script that reads "Linda Hamilton".

Linda Peterson Hamilton

2nd INJURY FUND REPORT

December 31, 2013

Available Fund Balance 12/31/12	978,192
Revenue from 2013 Assessment	6,065,977
Total Available Monies 2013	7,044,169
Expenditures 2013:	
Indemnity (312 Recipients)	4,794,848
Prosthetics (65 Recipients)	780,300
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan	<u>1,886</u>
Total	5,811,434
Available Fund Balance 12/28/2013	1,232,735

2014 Assessment Factors

Indemnity (3 months indemnity)	1,198,712
Prosthetics (3 month avg. expense)	<u>254,814</u>
Total Prudent Reserve	1,453,526

Estimated Expenditures

Indemnity	4,986,642
Prosthetics	826,925
Loan	192,400
Administrative Fees	42,000
SWCAP-Statewide Cost Allocation Plan	<u>1,886</u>
Proposed Need	6,049,853
12/30/2013 Available Fund Balance	- 1,232,735
Final Assessment Amount	6,270,644

* 7.4.2.1 State-Wide Cost Allocation Plan (SWCAP)

Reported and Historical Data Utilized in Assessment of Fund

(Reported in dollars)

Reported by ICRB for 2012:

Total Losses Paid	445,461,000
Total Premiums Written	782,614,000

Reported by ICRB for 2011

Total Losses Paid	436,329,000
Total Premiums Written	692,820,000

Reported by ICRB for 2010

Total Losses Paid	427,048,000
Total Premiums Written	616,420,000

Reported by ICRB for 2009:

Total Losses Paid	424,767,000
Total Premiums Written	620,459,000

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Self-Insured Factors 2012

|                            |                   |
|----------------------------|-------------------|
| Total Indemnity Paid       | 18,066,780        |
| Total Medical Paid         | <u>43,575,323</u> |
| Total Self Insured Factors | 61,642,103        |

Self-Insured Factors 2011

|                            |                   |
|----------------------------|-------------------|
| Total Indemnity Paid       | 21,016,610        |
| Total Medical Paid         | <u>56,316,103</u> |
| Total Self Insured Factors | 77,332,713        |

Self-Insured Factors 2010

|                            |                   |
|----------------------------|-------------------|
| Total Indemnity Paid       | 15,183,200        |
| Total Medical Paid         | <u>46,292,957</u> |
| Total Self Insured Factors | 61,476,157        |

Self-Insured Factors 2009:

|                            |                   |
|----------------------------|-------------------|
| Total Indemnity Paid       | 17,300,704        |
| Total Medical Paid         | <u>41,700,782</u> |
| Total Self Insured Factors | 59,001,486        |

**Historical Second Injury Fund Data re.**

**Total Expenditures Reported By the WCB**

**(Reported in dollars)**

|                             |           |
|-----------------------------|-----------|
| Jan/Dec 2012                |           |
| Prosthetics (68 Recipients) | 1,019,258 |
| Indemnity (302 Recipients)  | 4,735,990 |
| Jan/Dec 2011                |           |
| Prosthetics (67 Recipients) | 585,801   |
| Indemnity (293 Recipients)  | 4,375,287 |
| Jan/Dec 2010                |           |
| Prosthetics (62 Recipients) | 561,247   |
| Indemnity (291 Recipients)  | 4,227,113 |
| Jan/Dec 2009                |           |
| Prosthetics (63 Recipients) | 624,711   |
| Indemnity (289 Recipients)  | 4,099,537 |
| Jan/Dec 2008                |           |
| Prosthetics (50 Recipients) | 527,506   |
| Indemnity (281 Recipients)  | 3,413,452 |
| Jan/Dec 2007                |           |
| Prosthetics (53 Recipients) | 539,340   |
| Indemnity (271 Recipients)  | 3,539,032 |